

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-05

USIA-06 OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-07

/110 W

-----089943 141430Z /44

R 140815Z SEP 77

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9274

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY KUWAIT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

C O N F I D E N T I A L KUALA LUMPUR 6525

E.O. 11652: GDS

TAGS: ENRG, EARL, ID, KU, MY

SUBJECT: PROPOSED BATAM REFINERY

REF: KUWAIT 5128 (NOTAL)

1. SUMMARY: LOCAL PRESS HAS HEADLINED PROPOSED BATAM REFINERY PROJECT BUT PETRONAS (NATIONAL OIL COMPANY) IS NOT RPT NOT OVERLY EXCITED ABOUT IT. PROJECT HOLDS LITTLE INTEREST TO GOM BUT THEY MAY BE WILLING TO GO ALONG IN EXCHANGE FOR CONSIDERATIONS ON OTHER MATTERS. END SUMMARY.

2. THE SEPT. 13 ISSUE OF THE NEW STRAITS TIMES (MALAYSIA'S LARGEST ENGLISH LANGUAGE DAILY) CARRIED A HEADLINE STORY CONCERNING MALAYSIAN

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KUWAITI AND INDONESIAN PARTICIPATION IN A \$800 MILLION REFINERY ON BATAM ISLAND IN INDONESIA. THE ARTICLE QUOTED KUWAITI OIL MINISTER ABDEL MUTTALEB AL-KAZEMI AS SAYING THAT KUWAIT WOULD HAVE MAJORITY INTEREST IN THE PROJECT. THE REFINERY IS TO HAVE A CAPACITY OF 200,000 B/P/D AND WILL BE OPERATION IN 1981 ACCORDING TO THE ARTICLE.

3. ACCORDING TO A PETRONAS SOURCE, PROTECT, THIS PROPOSAL WAS INITIATED BY THE KUWAITIS WHO ARE LOOKING FOR GUARANTEED MARKETS AND WAS MADE ON A GOVERNMENT-TO-GOVERNMENT BASIS. SOURCE WENT ON TO SAY THAT SINCE THE GOM WANTS TO MAINTAIN CORDIAL TIES WITH THE GOK, PETRONAS HAS BEEN INSTRUCTED TO "STUDY" THE PROJECT AND REPORT ITS FINDINGS. SOURCE FURTHER COMMENTED THAT PETRONAS CAN SEE LITTLE REASON IN PARTICIPATING IN THE PROJECT AND SPECULATED THAT THE GOK WANTED TO DRAG THEM IN AN EFFORT TO TRY AND LIMIT INDONESIAN CORRUPTION.

4. AN AMERICAN CONSTRUCTION COMPANY REPRESENTATIVE BASED IN SINGAPORE INFORMED EMBOFF THAT HIS FIRM HAD BEEN INFORMED OF THE PROJECT IN JAKARTA BUT HAD NOT TAKEN IT SERIOUSLY BECAUSE IT MADE MORE ECONOMIC SENSE TO EXPAND AN EXISTING REFINERY RATHER THAN BUILD A NEW ONE ON BATAM ISLAND. HE DID SPECULATE HOWEVER THAT SINCE THE SUHARTO FAMILY HAS LARGE HOLDINGS ON THE ISLAND WHICH THEY WANT TO DEVELOP FOR TOURISM THE REFINERY COULD PROVIDE THEM WITH AN EXCUSE TO DEVELOP THE INFRASTRUCTURE OF THE ISLAND.

5. COMMENT: THE GOM HAS VERY LITTLE REAL INTEREST IN THE BATAM REFINERY PROJECT BUT DOES NOT WANT TO REFLECT THE KUWAITI PROPOSAL OUT OF HAND BECAUSE OF OTHER CONSIDERATIONS SUCH AS CONTINUED KUWAITI AID, FINANCING AND POTENTIAL INVESTMENT. PETRONAS ITSELF IS FAR MORE INTERESTED IN BUILDING ITS OWN REFINERY IN MALAYSIA RATHER THAN INVESTING
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IN AN INDONESIAN REFINERY. IN OUR VIEW THE ONLY WAY THAT THE GOM WOULD CONSIDER INVESTING IN THIS PROJECT WOULD BE IF ONE OF THE OTHER PARTNERS WOULD AGREE TO ASSIST THEM IN AN UNRELATED AREA SUCH AS THEIR LNG TANKER DILEMMA (THE FIRST TANKER IS DUE TO ARRIVE IN 1979 AND LNG PRODUCTION WILL NOT COMMENCE UNTIL 1983) AS PM HUSSEIN PROPOSED TO PRESIDENT SUHARTO IN APRIL OF THIS YEAR.
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Message Attributes

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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
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Disposition Approved on Date:
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Disposition Date: 22 May 2009
Disposition Event:
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